

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Utica, Michigan	County Macomb
Fiscal Year End June 30, 2006	Opinion Date December 5, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No reportable matters.		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Paul V Engstrom & Co., L.L.P.		Telephone Number 248-557-7460		
Street Address 16000 West Twelve Mile Road		City Southfield	State MI	Zip 48076
Authorizing CPA Signature 		Printed Name Mark S Zaleski		License Number 1101013313

CITY OF UTICA, MICHIGAN

UTICA, MICHIGAN

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FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CITY OF UTICA, MICHIGAN

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CITY OF UTICA, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan
7550 Auburn Road
Utica, Michigan 48317

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Utica, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Utica, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of June 30, 2006, and the respective changes in position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Utica, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Paul V. Engstrom & Co., L.L.P.

Southfield, Michigan
December 5, 2006

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

This discussion and analysis of the City of Utica, Michigan's (the City) financial position and performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2006. Please read it in conjunction with the City's financial statements.

Using This Annual Report

Two statements, the Statement of Net Assets and the Statement of Activities, report the City's finances on a government-wide basis, with a focus on long-term economic resources. Following the Government-Wide Statements are the Fund Financial Statements, which report the City's operations in more detail and focus on the City's ability to provide services in the current year.

Government-Wide Financial Statements

The Government-Wide financial statements report information about the City as a whole using accounting methods similar to those used in the private sector. The Statement of Net Assets reports all of the assets and liabilities of the City and reports the difference between the assets and liabilities as "net assets". The Statement of Activities reports all of the City's revenues and expenses for the year, regardless of the timing of cash flows.

The Government-Wide financial statements are divided into three categories, Governmental, Business-Type, and Component Units. The Governmental Activities include the basic services, such as administration, public safety, ambulance, street maintenance, and recreation. Governmental Activities are funded primarily by property tax levies, State-shared revenues and grants, with some charges for services. Business-Type Activities, which include the Sewer and Water Department and the Senior Housing facility, are primarily funded by charges for services. Component Units are legally separate entities included within the City's basic financial statements because the City is financially accountable for them.

Fund Financial Statements

The Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to track specific sources of funding or expenses. State law mandates the use of certain funds. Others are established at the City Council's direction.

There are three kinds of funds: Governmental, Proprietary, and Fiduciary.

The Governmental Funds account for most of the City's basic services. The focus is on measuring the ability of the City to provide the current year's services. Capital assets and long-term liabilities are not included in the Statement of Net Assets. Revenues are reported when the cash is available to pay current obligations. Expenses are reported when the payment is made, regardless of when the liability for payment was incurred. Acquisition of capital assets and the payment of debt principal and accrued interest are reported as expenses when the cash payments are made.

The Proprietary Funds account for the services primarily funded through customer charges. Like the Government-Wide financial statements, the Proprietary Funds focus on long-term economic resources and report all assets and liabilities. Revenues and expenses are reported when incurred, regardless of the time of cash flows.

The Fiduciary Funds account for the assets that the City holds in-trust or as agent for other agencies or individuals. The Government-Wide financial statements do not report the fiduciary activities because the assets are not available to finance the City's operations.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The City of Utica, Michigan as a Whole

The City's *combined* net assets increased by .05 percent (.05%) over the fiscal year ending June 30, 2005. The following table shows, in a condensed format, the comparison of Net Assets as of June 30, 2005 and 2006.

<p style="text-align: center;">City of Utica Net Assets (In Hundred Thousands of Dollars)</p>							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005 - 2006
ASSETS:							
Current	\$ 32.67	\$ 33.33	\$22.16	\$22.57	\$ 54.83	\$ 55.90	1.95%
Non-Current	<u>95.46</u>	<u>91.16</u>	<u>63.93</u>	<u>62.37</u>	<u>159.39</u>	<u>153.53</u>	- 3.68%
Total Assets	128.13	124.49	86.09	84.94	214.22	209.43	- 2.36%
LIABILITIES:							
Current	6.49	5.53	4.07	3.92	10.56	9.45	- 10.51%
Long-Term	<u>50.02</u>	<u>48.60</u>	<u>26.75</u>	<u>24.45</u>	<u>76.77</u>	<u>73.05</u>	- 4.85%
Total Liabilities	56.51	54.13	30.82	28.37	87.33	82.50	- 5.53%
NET ASSETS:							
Invested-In Capital Assets - Net of Related Debt	46.29	44.91	34.93	35.62	81.22	80.53	- 0.85%
Restricted	16.81	18.91	3.25	3.37	20.06	22.28	11.06%
Unrestricted	<u>8.52</u>	<u>6.54</u>	<u>17.09</u>	<u>17.58</u>	<u>25.61</u>	<u>24.12</u>	- 5.82%
Total Net Assets	<u>\$ 71.62</u>	<u>\$ 70.36</u>	<u>\$55.27</u>	<u>\$56.57</u>	<u>\$126.89</u>	<u>\$126.93</u>	0.03%

Current Assets include cash, cash equivalents, and short-term accounts receivables. Non-current assets include land, buildings, and equipment, net of depreciation. Depreciation of non-current assets exceeded the addition of new non-current assets.

Current Liabilities, which are due within one year, fell by seven percent (7%). The final installment payment was made on the Fire Department's ladder truck, and the final lease payment was made on the fleet of police interceptors. Long-term Liabilities, which consist of bonds payable and accrued employee benefits, fell by four percent (4%). No new debt was issued; three unlimited tax general obligation bonds for street repairs remain outstanding.

Invested In Capital Assets - Net of Related Debt declined by three percent (3%) representing an increase in accumulated depreciation and a decrease in outstanding bond principal.

Net Assets - Restricted increased by twelve percent (12%). Restricted Assets are current assets that have restrictions placed upon their use by Federal or State law, local ordinance, or grant requirements.

Net Assets - Unrestricted, in the General Fund, declined by twenty-three percent (23%).

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The City of Utica, Michigan as a Whole (Continued)

Total Net Assets of the Governmental Activities decreased by two percent (2%).

Total Net Assets of the Business-Type Activities increased by two percent (2%); liabilities decreased by eight percent (8%). The Sewer and Water Fund has two outstanding revenue bonds issued for infrastructure improvements. The Municipal Building Authority has one limited tax general obligation refunding bond outstanding for the senior citizen apartment building.

The following table shows the Changes in Net Assets for the year ended June 30, 2006:

City of Utica Changes in Net Assets (In Hundred Thousands of Dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005 - 2006
REVENUES:							
Program:							
Charges for Services	\$14.23	\$12.03	\$ -	\$ -	\$14.23	\$12.03	- 15.46%
Sewer and Water	-	-	15.70	15.75	15.70	15.75	0.32%
Senior Housing	-	-	2.87	2.91	2.87	2.91	1.39%
Operating Grants and Contributions	3.37	4.52	-	-	3.37	4.52	34.12%
Capital Grants and Contributions	0.53	-	1.04	0.94	1.57	0.94	- 40.12%
General:							
Property Taxes	35.63	37.13	-	-	35.63	37.13	4.21%
State-Shared Revenue	4.60	4.55	-	-	4.60	4.55	- 1.09%
Unrestricted Investment Earnings	0.62	1.47	0.26	0.53	0.88	2.00	127.27%
Gain (Loss) on Disposal of Capital Assets	0.06	(0.01)	-	-	0.06	(0.01)	- 116.67%
Cable Fees	0.60	0.63	-	-	0.60	0.63	5.00%
Miscellaneous	0.23	0.12	0.17	0.09	0.40	0.21	- 47.50%
Total Revenues	59.87	60.44	20.04	20.22	79.91	80.66	0.94%
PROGRAM EXPENSES:							
General Government	13.92	16.94	-	-	13.92	16.94	21.70%
Public Safety	27.42	29.94	-	-	27.42	29.94	9.20%
Health and Welfare - Ambulance	1.49	1.64	-	-	1.49	1.64	10.07%
Public Works	9.37	9.04	-	-	9.37	9.04	- 3.52%
Recreation and Cultural	1.73	1.88	-	-	1.73	1.88	8.67%
Sewer and Water	2.40	2.25	-	-	2.40	2.25	- 6.25%
Senior Housing	-	-	14.37	15.88	14.37	15.88	10.51%
Interest and Fees on Long-Term Debt:							
Governmental Activities	-	-	2.58	2.01	2.58	2.01	- 22.09%
Sewer and Water	-	-	0.39	0.35	0.39	0.35	- 10.26%
Senior Housing	-	-	0.71	0.68	0.71	0.68	- 4.23%
Total Program Expenses	56.33	61.69	18.05	18.92	74.38	80.61	8.38%
Changes in Net Assets	\$ 3.54	(\$ 1.25)	\$ 1.99	\$ 1.30	\$ 5.53	\$ 0.05	- 99.10%

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Governmental Activities

Governmental Activity revenues totaled \$6.04 million, of which property taxes represented sixty-one percent (61%) and State-shared revenues represented eight percent (8%). Charges for such services as building inspections, rubbish collection, and ambulance transportation generated 20 percent (20%) of revenues. Operating grants, which represent seven percent (7%) of revenues, consist of Act 51, Act 32, and Act 302 distributions, and Federal Homeland Security grants.

Governmental Activity expenses totaled \$6.17 million, of which general government activities accounted for twenty-seven percent (27%), police and fire accounted for 49 percent (49), and public works accounted for fifteen percent (15%).

The City contributed to both of its defined benefit pension systems the percent of payroll required by the most recent actuarial valuations.

Business-Type Activities

The City has two Business-Type Activities, the Sewer and Water Fund and the Senior Housing Fund. The Sewer and Water Operations are funded directly through user fees and charges for services. The Senior Housing Operations and Debt Service are funded directly through rental fees.

The Sewer and Water Fund collected \$1.58 million in charges for service and had \$1.59 million in operating expenses. The City purchases water from the Detroit water system and pays Detroit to treat the City's sewage. The City historically adjusts sewer and water rates annually to cover rate increases from Detroit and to cover the operating costs and debt service payments.

The Sewer and Water Fund began implementing a new meter reading system that permits meters to be read by a remote radio signal receiver. As part of the remote meter reading project, the City is replacing older meters that are not compatible with the new radio technology. Implementation of the remote meter reading system will reduce the labor cost to read meters and generate utility bills.

The Sewer and Water Fund has two outstanding revenue bond issues, which generated \$35 thousand of interest expense and fees.

The Senior Housing Fund collected \$291 thousand in rental charges and had \$201 thousand in operating expenses. The Fund has an outstanding general obligation bond issue, which generated \$68 thousand of interest expense and fees.

The City's Funds

Following the Government-Wide financial statements is an analysis of the City's major funds. The major funds are the General Fund, the Major Street Fund, the Local Street Fund, and the 2001 Street Improvement Fund. The Major and Local Street Funds are established to account for State of Michigan Act 51 revenue sharing. The 2001 Street Improvement Fund accounts for the bond proceeds authorized by the citizens in 2001 for local street improvement projects.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

General Fund Budgetary Highlights

The City monitors and amends the budget during the year to account for unanticipated events. The City amended the General Fund budget by an additional \$109 thousand in revenues to reflect charges for services, investment earnings, insurance proceeds, public safety grants, and law enforcement revenues received in excess of original projections. Property tax revenues were decreased by approximately \$40 thousand because the Downtown Development Authority (DDA) captured more operating tax revenues than anticipated.

The budgeted expenditures were increased by \$282 thousand. During the year, the City entered into an agreement with the Municipal Employees' Retirement System of Michigan (MERS) to establish a Retiree Health Care Fund. The City contributed \$100 thousand; \$87 thousand from the General Fund and the balance from the Building Code Enforcement Fund and the Sewer and Water Fund. The Building Improvement and Maintenance budget was increased in June by \$75 thousand in anticipation of repair costs arising from a roof leak; the anticipated costs were offset by anticipated insurance proceeds. The City entered into a contract for a feasibility study to be performed to assess the physical needs of all of the Departments, including the Public Library. The Police Department obtained several Federal Grants for traffic enforcement and communications equipment. The Fire Department experienced a higher volume of incidents than originally anticipated. The Street Department experienced lower than anticipated expenditures because one employee exercised an early retirement provision and the City chose not to declare a vacancy.

Capital Assets and Long-Term Debt Administration

On June 30, 2006, the City had \$8.05 million invested in capital assets: land, buildings, equipment, streets, sidewalks, storm drains, and water and sewer mains.

The City has three outstanding unlimited tax general obligation bonds issued for street repairs and two revenue bonds outstanding for sewer and water improvements. In addition, the City pledges its full faith and credit to support two limited tax general obligation bonds. One, issued by the Municipal Building Authority to finance the senior citizen apartment building on Greeley Street, is supported by rent revenues. The other, issued by the Downtown Development Authority to finance streetscape improvements on Auburn Road and Cass Avenue, is supported by a tax increment financing plan.

Economic Factors and Next Year's Budgets and Rates

Revenue growth from property taxes has been and is expected to be relatively stagnant. Proposal A continues to limit the growth of property values. The City is levying the maximum operating millages permitted by the Headlee Amendment. Because of the State of Michigan's fiscal issues, the distributions of sales tax to the municipality are expected to remain flat.

For the ensuing fiscal year, non-essential equipment purchases have been deferred. The City plans to enter into an installment purchase agreement to finance the purchase of a new fleet of Ford Crown Victoria Police Interceptors, equipped with digital cameras, and a new ambulance.

Departments have been directed to increase efforts to obtain capital grants. The Police Department has successfully applied for Federal grants to purchase communications equipment and bulletproof vests. The Fire Department has successfully applied for a Federal grant to pay for the training of new firefighters.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the Finance Director at the City of Utica, 7550 Auburn Road, Utica, Michigan 48317.

CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents (Notes A4 and C)	\$ 2,915,052	\$1,559,911	\$ 4,474,963	\$ 625,946
Receivables: (Note A4)				
Taxes	53,171	-	53,171	2,106
Accounts	38,845	455	39,300	10,435
Sewer and Water Bills	-	126,014	126,014	-
Unbilled Sewer and Water Bills	-	208,738	208,738	-
Due From Other Governments:				
State	219,782	-	219,782	2,610
Local Units	238	-	238	-
Internal Balances	10,509	-	10,509	(10,500)
Restricted Assets - Cash (Note C)	95,581	361,738	457,319	-
Capital Assets Not Being Depreciated (Notes A4 and D)	839,900	7,095	846,995	375,368
Capital Assets Being Depreciated - Net (Notes A4 and D)	8,275,754	6,076,862	14,352,616	1,132,581
Deferred Charges - Unamortized Bond Discounts and Costs (Note A4)	-	153,147	153,147	-
Total Assets	<u>12,448,832</u>	<u>8,493,960</u>	<u>20,942,792</u>	<u>2,138,546</u>
LIABILITIES:				
Accounts Payable	130,291	118,100	248,391	2,042
Accrued Liabilities	222,464	18,480	240,944	19,152
Payable From Restricted Assets - Security Deposits	-	24,975	24,975	-
Non-Current Liabilities: (Notes A4 and F)				
Due Within One Year	200,000	230,000	430,000	85,000
Due In More Than One Year	4,860,170	2,445,000	7,305,170	665,000
Total Liabilities	<u>5,412,925</u>	<u>2,836,555</u>	<u>8,249,480</u>	<u>771,194</u>
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	4,490,654	3,562,104	8,052,758	757,949
Restricted For:				
Street and Highway Maintenance	1,179,392	-	1,179,392	-
Liquor Law Enforcement	20,236	-	20,236	-
Building Code Enforcement	402,996	-	402,996	-
Drug Enforcement	19,490	-	19,490	-
Debt Service	-	292,327	292,327	19,854
Capital Projects	172,889	44,436	217,325	-
Police Training	6,582	-	6,582	-
Fire Equipment	83,499	-	83,499	-
Downtown Development	5,500	-	5,500	499,018
Library Operations	-	-	-	90,531
Unrestricted:				
Designated For:				
Street Equipment Replacement	116,775	-	116,775	-
Police Equipment Replacement	67,153	-	67,153	-
Parks Development	109,666	-	109,666	-
Parks Vehicle Replacement	917	-	917	-
Fire Equipment	2,250	-	2,250	-
Administrative Equipment Replacement	65,203	-	65,203	-
Undesignated	292,705	1,758,538	2,051,243	-
Total Net Assets	<u>\$ 7,035,907</u>	<u>\$5,657,405</u>	<u>\$12,693,312</u>	<u>\$1,367,352</u>

See Notes to Financial Statements.

(Continued)

CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$1,694,259	\$ 618,678	\$ 88,553	\$ -	(\$ 987,028)	\$ -	(\$ 987,028)	
Public Safety	2,994,148	322,183	108,260	-	(2,563,705)	-	(2,563,705)	
Health and Welfare - Ambulance	163,983	166,506	-	-	2,523	-	2,523	
Public Works	904,228	95,999	254,880	-	(553,349)	-	(553,349)	
Recreation and Cultural	187,626	-	-	-	(187,626)	-	(187,626)	
Interest and Fees on Long-Term Debt	224,633	-	-	-	(224,633)	-	(224,633)	
Total Governmental Activities	<u>\$6,168,877</u>	<u>\$1,203,366</u>	<u>\$451,693</u>	<u>\$ -</u>	<u>(4,513,818)</u>	<u>-</u>	<u>(4,513,818)</u>	
Business-Type Activities:								
Sewer and Water	\$1,587,587	\$1,575,454	\$ -	\$94,174	-	82,041	82,041	
Senior Housing	200,678	291,217	-	-	-	90,539	90,539	
Interest and Fees on Long-Term Debt:								
Sewer and Water	35,351	-	-	-	-	(35,351)	(35,351)	
Senior Housing	68,121	-	-	-	-	(68,121)	(68,121)	
Total Business-Type Activities	<u>\$1,891,737</u>	<u>\$1,866,671</u>	<u>\$ -</u>	<u>\$94,174</u>	<u>-</u>	<u>69,108</u>	<u>69,108</u>	
Total Primary Government					<u>(4,513,818)</u>	<u>69,108</u>	<u>(4,444,710)</u>	
COMPONENT UNITS:								
Downtown Development - Public Works	\$ 49,156	\$ -	\$ -	\$ -	-	-	-	(\$ 49,156)
Interest and Fees on Long-Term Debt -								
Downtown Development	39,455	-	-	-	-	-	-	(39,455)
Brownfield Redevelopment - Public Works	-	-	-	-	-	-	-	-
Library - Cultural	176,595	3,925	17,582	-	-	-	-	(155,088)
Total Component Units	<u>\$265,206</u>	<u>\$3,925</u>	<u>\$17,582</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,699)</u>
GENERAL REVENUES:								
Property Taxes					3,712,598	-	3,712,598	480,473
State-Shared Revenues					454,699	-	454,699	-
Unrestricted Interest Earnings					146,937	53,064	200,001	19,249
Gain (Loss) on Disposal of Capital Assets					(1,175)	(335)	(1,510)	-
Cable Fees					62,698	-	62,698	-
Miscellaneous					12,713	8,822	21,535	20,491
Total General Revenues					<u>4,388,470</u>	<u>61,551</u>	<u>4,450,021</u>	<u>520,213</u>
CHANGE IN NET ASSETS					(125,348)	130,659	5,311	276,514
NET ASSETS, JULY 1, 2005					<u>7,161,255</u>	<u>5,526,746</u>	<u>12,688,001</u>	<u>1,090,838</u>
NET ASSETS, JUNE 30, 2006					<u>\$7,035,907</u>	<u>\$5,657,405</u>	<u>\$12,693,312</u>	<u>\$1,367,352</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006**

	<u>General</u>	<u>Special Revenue Funds</u>		<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Major Street</u>	<u>Local Street</u>		
ASSETS:					
Cash and Cash Equivalents (Notes A4 and C)	\$1,172,547	\$859,280	\$260,531	\$622,694	\$2,915,052
Receivables: (Note A4)					
Taxes	53,171	-	-	-	53,171
Accounts	38,565	-	-	280	38,845
Due From Other Funds (Note E)	11,804	-	-	-	11,804
Due From Other Governments:					
State	157,950	43,452	18,380	-	219,782
Local Units	238	-	-	-	238
Restricted Assets - Cash (Note C)	<u>95,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,581</u>
 Total Assets	 <u>\$1,529,856</u>	 <u>\$902,732</u>	 <u>\$278,911</u>	 <u>\$622,974</u>	 <u>\$3,334,473</u>
 LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 121,972	\$ 2,251	\$ -	\$ 6,068	\$ 130,291
Accrued Liabilities	130,589	-	-	-	130,589
Due to Other Funds (Note E)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>1,295</u>
 Total Liabilities	 <u>252,561</u>	 <u>2,251</u>	 <u>-</u>	 <u>7,363</u>	 <u>262,175</u>
Fund Balances:					
Reserved for:					
Police Training	6,582	-	-	-	6,582
Fire and Ambulance Equipment	83,499	-	-	-	83,499
Parking District	5,500	-	-	-	5,500
Unreserved:					
Designated	361,964	-	-	-	361,964
Undesignated, Reported In:					
General Fund	819,750	-	-	-	819,750
Special Revenues Funds	-	900,481	278,911	442,722	1,622,114
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,889</u>	<u>172,889</u>
 Total Fund Balances	 <u>1,277,295</u>	 <u>900,481</u>	 <u>278,911</u>	 <u>615,611</u>	 <u>3,072,298</u>
 Total Liabilities and Fund Balances	 <u>\$1,529,856</u>	 <u>\$902,732</u>	 <u>\$278,911</u>	 <u>\$622,974</u>	 <u>\$3,334,473</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balance for Governmental Funds	\$3,072,298
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Are Not Reported In The Funds	9,115,654
The Funds Do Not Report Note Or Bond Indebtedness As A Liability Until It Comes Due For Payment	(4,625,000)
Accrued Interest Payable Is Not Reported In The Funds	(91,875)
Long-Term Portion Of Compensated Absences Are Not Due And Payable In The Current Period And Are Not Reported In The Funds	(435,170)
Net Assets of Governmental Activities	<u>\$7,035,907</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Special Revenue Funds		Non-Major Governmental Funds	Total Governmental Funds
		Major Street	Local Street		
REVENUES:					
Taxes and Penalties	\$3,712,598	\$ -	\$ -	\$ -	\$3,712,598
Property Tax Administrative Fee	97,182	-	-	-	97,182
Licenses and Permits	18,993	-	-	167,566	186,559
Intergovernmental Revenue:					
Federal	141,229	-	-	-	141,229
State	464,375	178,384	75,455	-	718,214
County	1,041	-	-	-	1,041
Drug Forfeitures	-	-	-	3,237	3,237
Fines and Costs	319,474	-	-	-	319,474
Charges for Services	390,756	-	-	-	390,756
Rental Income	20,700	-	-	27,695	48,395
Cable Royalties	62,698	-	-	-	62,698
Interest on Investments	79,155	30,363	8,984	28,435	146,937
Other	<u>216,737</u>	<u>42</u>	<u>-</u>	<u>5</u>	<u>216,784</u>
Total Revenues	<u>5,524,938</u>	<u>208,789</u>	<u>84,439</u>	<u>226,938</u>	<u>6,045,104</u>
EXPENDITURES:					
Current:					
General Government:					
Legislative and Executive	39,352	-	-	-	39,352
Elections	8,400	-	-	-	8,400
Assessor's Department	27,304	-	-	-	27,304
Legal Department	95,339	-	-	-	95,339
Clerk's Department	212,674	-	-	-	212,674
Treasurer's Department	172,008	-	-	-	172,008
Building Code Enforcement	-	-	-	205,045	205,045
Building Improvement and Maintenance	53,436	-	-	133,432	186,868
Rubbish Disposal	171,591	-	-	-	171,591
425 Agreement (Note K)	238,059	-	-	-	238,059
Other	<u>300,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,274</u>
Total General Government	1,318,437	-	-	338,477	1,656,914
Public Safety:					
Police Department	2,370,672	-	-	6,031	2,376,703
Fire Department	421,357	-	-	-	421,357
Health and Welfare - Ambulance	149,350	-	-	-	149,350
Public Works	462,300	80,481	37,455	-	580,236
Recreation and Cultural	176,966	-	-	-	176,966
Capital Outlay	92,965	-	-	24,242	117,207
Debt Service:					
Principal Retirement	268,640	-	-	-	268,640
Interest and Debt Service Fees	<u>229,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,596</u>
Total Expenditures	<u>5,490,283</u>	<u>80,481</u>	<u>37,455</u>	<u>368,750</u>	<u>5,976,969</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -					
Net Change In Fund Balances	34,655	128,308	46,984	(141,812)	68,135
FUND BALANCES, JULY 1, 2005	<u>1,242,640</u>	<u>772,173</u>	<u>231,927</u>	<u>757,423</u>	<u>3,004,163</u>
FUND BALANCES, JUNE 30, 2006	<u>\$1,277,295</u>	<u>\$900,481</u>	<u>\$278,911</u>	<u>\$615,611</u>	<u>\$3,072,298</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net Change In Fund Balances - Total Governmental Funds	\$ 68,135
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Amounts Reported For Governmental Activities In The Statement Of
Activities Are Different Because:

Governmental Funds Report Capital Outlays As Expenditures; In The Statement Of Activities, These Costs Are Allocated Over Their Estimated Useful Lives As Depreciation	(405,179)
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The Repayment of Principal On Notes And Bonds Payable Is An Expenditure In The Governmental Funds, But Not In The Statement Of Activities (Where It Reduces Long-Term Debt)	268,670
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Interest Expense Is Reported In The Statement Of Activities When A Liability Is Incurred, They Are Reported In the Governmental Funds Only When Payment Is Due	3,167
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Change In Accumulated Employee Sick And Vacation Pay Are Recorded When Earned In The Statement of Activities	(58,566)
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Proceeds From The Disposal Of Capital Assets Are Not Reported As Revenue In The Governmental Funds; The Undepreciated Cost Of The Assets Disposed Is Removed From The Capital Asset Account And Offset Against The Sale Proceeds In The Statement Of Activities	(1,575)
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Change In Net Assets of Governmental Activities	<u>(\$125,348)</u>
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See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents (Notes A4 and C)	\$16,114	\$ -	\$1,543,797	\$1,559,911
Receivables: (Note A4)				
Accounts	455	-	-	455
Sewer and Water Bills	-	-	126,014	126,014
Unbilled Sewer and Water Service Bills	-	-	208,738	208,738
Total Current Assets	<u>16,569</u>	<u>-</u>	<u>1,878,549</u>	<u>1,895,118</u>
Non-Current Assets:				
Deferred Charges - Unamortized Bond Discount and Costs	-	125,727	27,420	153,147
Restricted Assets - (Note C)				
Cash-In-Bank:				
Security Deposits	24,975	-	-	24,975
Improvement and Expansion	-	-	44,436	44,436
Reserve for Bond Debt	-	102,011	190,316	292,327
Capital Assets Not Being Depreciated - Land (Notes A4 and D)	-	2,000	5,095	7,095
Capital Assets Being Depreciated - Net (Notes A4 and D)	<u>276</u>	<u>1,971,401</u>	<u>4,105,185</u>	<u>6,076,862</u>
Total Non-Current Assets	<u>25,251</u>	<u>2,201,139</u>	<u>4,372,452</u>	<u>6,598,842</u>
Total Assets	<u>41,820</u>	<u>2,201,139</u>	<u>6,251,001</u>	<u>8,493,960</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	4,566	-	113,534	118,100
Accrued Interest on Bonds	-	9,322	9,158	18,480
Current Portion of Bonds Payable (Notes A4 and F)	-	130,000	100,000	230,000
Total Current Liabilities	<u>4,566</u>	<u>139,322</u>	<u>222,692</u>	<u>366,580</u>
Non-Current Liabilities:				
Payable from Restricted Assets - Security Deposits	24,975	-	-	24,975
Long-Term Liabilities - Bonds Payable (Notes A4 and F)	-	1,760,000	685,000	2,445,000
Total Non-Current Liabilities	<u>24,975</u>	<u>1,760,000</u>	<u>685,000</u>	<u>2,469,975</u>
Total Liabilities	<u>29,541</u>	<u>1,899,322</u>	<u>907,692</u>	<u>2,836,555</u>
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	276	209,128	3,352,700	3,562,104
Restricted For:				
Debt Service	-	102,011	190,316	292,327
Improvement and Expansion	-	-	44,436	44,436
Unrestricted	<u>12,003</u>	<u>(9,322)</u>	<u>1,755,857</u>	<u>1,758,538</u>
Total Net Assets	<u>\$12,279</u>	<u>\$ 301,817</u>	<u>\$5,343,309</u>	<u>\$5,657,405</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services:				
Rent	\$229,247	\$ -	\$ -	\$ 229,247
Maintenance Fees	61,050	-	-	61,050
Cleaning and Painting Fee	920	-	-	920
Sewer and Water Charges	-	-	1,552,376	1,552,376
Penalty Charges	-	-	23,078	23,078
Miscellaneous	-	-	8,822	8,822
Total Operating Revenues	<u>291,217</u>	<u>-</u>	<u>1,584,276</u>	<u>1,875,493</u>
OPERATING EXPENSES:				
Wages, Payroll Taxes, and Benefits	-	-	354,873	354,873
Office and Administration	3,877	-	18,739	22,616
Water Purchase and Surcharge	-	-	430,912	430,912
Waste Disposal	-	-	449,115	449,115
Maintenance and Repairs:				
System	-	-	21,341	21,341
Building	58,540	-	921	59,461
Apartment Prep	7,921	-	-	7,921
Supplies	-	-	71,797	71,797
Engineering Fees	-	-	1,258	1,258
Utilities	33,060	-	17,173	50,233
Depreciation	89	57,870	157,018	214,977
Insurance	25,475	-	45,722	71,197
Equipment:				
Maintenance, Repair, Fuel	-	-	7,530	7,530
Replacement and Rental	-	-	355	355
Building Rent	-	-	185	185
Custodial Service and Supplies	7,757	-	410	8,167
Rubbish Disposal	5,939	-	-	5,939
Miscellaneous	150	-	10,238	10,388
Total Operating Expenses	<u>142,808</u>	<u>57,870</u>	<u>1,587,587</u>	<u>1,788,265</u>
OPERATING INCOME (LOSS)	<u>148,409</u>	<u>(57,870)</u>	<u>(3,311)</u>	<u>87,228</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Investments	1,675	2,256	49,133	53,064
Loss on Disposal of Fixed Assets	-	-	(335)	(335)
Interest Expense and Debt Service Fees	-	(68,121)	(35,351)	(103,472)
Total Non-Operating Revenues (Expenses)	<u>1,675</u>	<u>(65,865)</u>	<u>13,447</u>	<u>(50,743)</u>
Income (Loss) Before Contributions and Operating Transfers	150,084	(123,735)	10,136	36,485
CONTRIBUTIONS AND OPERATING TRANSFERS:				
Capital Contributions	-	-	94,174	94,174
Operating Transfers In	-	186,808	-	186,808
Operating Transfers Out	(186,808)	-	-	(186,808)
CHANGE IN NET ASSETS	<u>(36,724)</u>	<u>63,073</u>	<u>104,310</u>	<u>130,659</u>
TOTAL NET ASSETS, JULY 1, 2005	<u>49,003</u>	<u>238,744</u>	<u>5,238,999</u>	<u>5,526,746</u>
TOTAL NET ASSETS, JUNE 30, 2006	<u>\$ 12,279</u>	<u>\$301,817</u>	<u>\$5,343,309</u>	<u>\$5,657,405</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Enterprise Funds			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$291,692	\$ -	\$1,595,238	\$1,886,930
Cash Payments to Suppliers for Goods and Services	(140,828)	-	(1,099,486)	(1,240,314)
Cash Payments to Employees for Services	-	-	(354,873)	(354,873)
Other Operating Revenues	-	-	8,822	8,822
Net Cash Provided By Operating Activities	150,864	-	149,701	300,565
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES - Security Deposits - Net	2,360	-	-	2,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases and Construction of Capital Assets	-	-	(75,295)	(75,295)
Principal Paid On Capital Debt	-	(130,000)	(95,000)	(225,000)
Interest and Debt Service Fees Paid On Capital Debt	-	(57,460)	(31,289)	(88,749)
Contributed Capital - Taps	-	-	94,174	94,174
Cash Transfer for Debt Service Requirements	(186,808)	186,808	-	-
Net Cash Used In Capital and Related Financing Activities	(186,808)	(652)	(107,410)	(294,870)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and Dividends On Investments	1,675	2,256	49,133	53,064
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,909)	1,604	91,424	61,119
CASH AND CASH EQUIVALENTS, JULY 1, 2005	72,998	100,407	1,687,125	1,860,530
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	\$ 41,089	\$102,011	\$1,778,549	\$1,921,649

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
SCHEDULE OF RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$148,409	(\$57,870)	(\$ 3,311)	\$ 87,228
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	89	57,870	157,018	214,977
Changes In Assets and Liabilities:				
Decrease In - Accounts Receivable	475	-	19,784	20,259
(Decrease) Increase in - Accounts Payable	<u>1,891</u>	<u>-</u>	<u>(23,790)</u>	<u>(21,899)</u>
Net Cash Provided By Operating Activities	<u>\$150,864</u>	<u>\$ -</u>	<u>\$149,701</u>	<u>\$300,565</u>
The following information is provided as a reconciliation between certain amounts reported in the Statement of Cash Flows and the amounts in the Statement of Revenues, Expenses, and Changes in Net Assets:				
CHARGES FOR SERVICES	\$291,217	\$ -	\$1,575,454	\$1,866,671
PLUS - Beginning Receivables	930	-	354,536	355,466
LESS - Ending Receivables	<u>(455)</u>	<u>-</u>	<u>(334,752)</u>	<u>(335,207)</u>
Cash Received From Customers	<u>\$291,692</u>	<u>\$ -</u>	<u>\$1,595,238</u>	<u>\$1,886,930</u>
OPERATING EXPENSES	\$142,808	\$57,870	\$1,587,587	\$1,788,265
DEPRECIATION AND AMORTIZATION	<u>(89)</u>	<u>(57,870)</u>	<u>(157,018)</u>	<u>(214,977)</u>
PLUS - Accounts Payable and Due to Other Funds, June 30, 2005	2,675	-	137,324	139,999
LESS - Accounts Payable and Due to Other Funds, June 30, 2006	<u>(4,566)</u>	<u>-</u>	<u>(113,534)</u>	<u>(118,100)</u>
CASH PAID TO SUPPLIERS AND EMPLOYEES	140,828	-	1,454,359	1,595,187
LESS - Cash Paid to Employees	<u>-</u>	<u>-</u>	<u>(354,873)</u>	<u>(354,873)</u>
Cash Paid to Suppliers	<u>\$140,828</u>	<u>\$ -</u>	<u>\$1,099,486</u>	<u>\$1,240,314</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Non-Expendable Trust Fund	Agency Funds	
	Police Retirement System	Current Tax Collection	Trust and Agency
ASSETS:			
Cash and Cash Equivalents	\$ 77,815	\$9	\$1,893
Receivables:			
Contributions:			
Employer	26,249	-	-
Employees	5,982	-	-
Accrued Interest	20,049	-	-
Investments - At Fair Value:			
U.S. Government Obligations	186,409	-	-
U.S. Government Agencies	897,947	-	-
Corporate Bonds	1,122,111	-	-
Corporate Stocks	<u>2,723,317</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,059,879</u>	<u>\$9</u>	<u>\$1,893</u>
LIABILITIES:			
Accounts Payable	10,882	\$ -	\$1,130
Due to Other Funds (Note E)	-	9	
Due to Other Governments	<u>-</u>	<u>-</u>	<u>763</u>
Total Liabilities	<u>10,882</u>	<u>\$9</u>	<u>\$1,893</u>
NET ASSETS - Held-In-Trust for Retirement Benefits	<u>\$5,048,997</u>		

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2006

	Non-Expendable Trust Fund Police Retirement System
ADDITIONS:	
Contributions:	
Employer	\$ 253,557
Plan Members	<u>57,558</u>
Total Contributions	<u>311,115</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	24,968
Interest	115,994
Dividends	<u>37,061</u>
Total Investment Income	<u>178,023</u>
Less Investment Expenses:	
Financial Consultant Fees	30,959
Brokerage Fees	1,925
Trustee Fees	<u>100</u>
Total Investment Expenses	<u>32,984</u>
Net Investment Income	<u>145,039</u>
Total Additions	456,154
DEDUCTIONS:	
Benefit Payments	212,644
Legal Fees	3,565
Actuarial Fees	6,750
Training and Meetings	8,246
Miscellaneous	<u>280</u>
Total Deductions	<u>231,485</u>
CHANGE IN NET ASSETS	224,669
NET ASSETS HELD-IN-TRUST FOR PENSION BENEFITS:	
Beginning of Year, July 1, 2005	<u>4,824,328</u>
End of Year, June 30, 2006	<u>\$5,048,997</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Library</u>	<u>Total</u>
ASSETS:				
Cash	\$ 528,599	\$ 65	\$ 97,282	\$ 625,946
Receivables:				
Taxes	-	-	2,106	2,106
Accounts		10,435	-	10,435
Due From State	-	-	2,610	2,610
Capital Assets Not Being				
Depreciated - Books	-	-	375,368	375,368
Capital Assets Being				
Depreciated - Net	<u>1,118,294</u>	<u>-</u>	<u>14,287</u>	<u>1,132,581</u>
Total Assets	<u>1,646,893</u>	<u>10,500</u>	<u>491,653</u>	<u>2,149,046</u>
LIABILITIES:				
Accounts Payable	166	-	1,876	2,042
Accrued Liabilities	9,561	-	9,591	19,152
Due To Other Funds	-	10,500	-	10,500
Long-Term Liabilities:				
Due Within One Year	85,000	-	-	85,000
Due In More Than One Year	<u>665,000</u>	<u>-</u>	<u>-</u>	<u>665,000</u>
Total Liabilities	<u>759,727</u>	<u>10,500</u>	<u>11,467</u>	<u>781,694</u>
NET ASSETS:				
Invested-In Capital Assets,				
Net of Related Debt	368,294	-	389,655	757,949
Restricted for Downtown				
Development	499,018	-	-	499,018
Restricted for Library Operations	-	-	90,531	90,531
Restricted for Downtown				
Development Debt	<u>19,854</u>	<u>-</u>	<u>-</u>	<u>19,854</u>
Total Net Assets	<u>\$ 887,166</u>	<u>\$ -</u>	<u>\$480,186</u>	<u>\$1,367,352</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Library	Total
DOWNTOWN DEVELOPMENT AUTHORITY:								
Public Works	\$ 49,156	\$ -	\$ -	\$ -	(\$ 49,156)	\$ -	\$ -	(\$ 49,156)
Interest and Fees on Long-Term Debt	<u>39,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,455)</u>	<u>-</u>	<u>-</u>	<u>(39,455)</u>
Total Downtown Development Authority	88,611	-	-	-	(88,611)	-	-	(88,611)
BROWNFIELD REDEVELOPMENT AUTHORITY -								
Public Works	-	-	-	-	-	-	-	-
LIBRARY - Cultural	<u>176,595</u>	<u>3,925</u>	<u>17,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,088)</u>	<u>(155,088)</u>
Total Component Units	<u>\$265,206</u>	<u>\$3,925</u>	<u>\$17,582</u>	<u>\$ -</u>	<u>(88,611)</u>	<u>-</u>	<u>(155,088)</u>	<u>(243,699)</u>
GENERAL REVENUES:								
Property Taxes					329,990	-	150,483	480,473
Unrestricted Interest Earnings					14,296	-	4,953	19,249
Miscellaneous					<u>-</u>	<u>-</u>	<u>20,491</u>	<u>20,491</u>
Total General Revenues					<u>344,286</u>	<u>-</u>	<u>175,927</u>	<u>520,213</u>
CHANGE IN NET ASSETS					255,675	-	20,839	276,514
NET ASSETS, JULY 1, 2005					<u>631,491</u>	<u>-</u>	<u>459,347</u>	<u>1,090,838</u>
NET ASSETS, JUNE 30, 2006					<u>\$887,166</u>	<u>\$ -</u>	<u>\$480,186</u>	<u>\$1,367,352</u>

See Notes to Financial Statements.

NOTE A - Summary of Significant Accounting Policies

The City of Utica, Michigan (the City) was organized in 1937 and covers an area of approximately 1.8 square miles. The City operates under an elected council and provides services to its approximately 5,000 residents in many areas, including law enforcement, fire protection, and community enrichment and development services.

The accounting policies of the City of Utica, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

1. Reporting Entity

The City is governed by a City Council consisting of a mayor elected for a two-year term and six council members who are elected to overlapping four-year terms.

The accompanying financial statements present the City and its Component Units, entities for which the government is considered to be financially accountable. Although blended Component Units are legal separate entities, in substance, they are part of the City's operations. Discretely presented Component Units are reported in a separate column in the Government-Wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

The following organizations are included in the City's annual report for the reasons stated. Individual financial statements can be obtained at the City of Utica, Clerk's Office, 7550 Auburn Road, Utica, Michigan 48317.

Blended Component Units

The Municipal Building Authority of Utica, an entity legally separate from the City, is governed by a seven-member board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to finance and construct buildings for the City. The operations of the Building Authority are reported as a non-major Capital Projects Fund.

The City of Utica Police and Fire Retirement System is included as a fiduciary fund because, of the five-member governing board, one must be the City Treasurer and two others are appointed by the City. The City is also responsible for funding the Retirement System.

Discretely Presented Component Units

The Component Units columns in the combined financial statements include the financial data of the City's Discretely Presented Component Units.

The Downtown Development Authority (the Authority) is legally separate from the City. The Authority was created to correct and prevent deterioration in the downtown district and promote economic growth within the downtown district. The City appoints the governing board but members can only be removed for cause. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The Downtown Development Authority does not issue separate financial statements.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

1. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Brownfield Redevelopment Authority (the Authority) is legally separate from the City. The Authority was created to correct and redevelop property in the City that contains environmental hazards. The City appoints the governing board but members can only be removed for cause. The budgets and expenditures of the Brownfield Redevelopment Authority must be approved by the City Council. The Brownfield Redevelopment Authority does not issue separate financial statements.

The City of Utica Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause. The Library does not issue separate financial statements.

2. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the Non-Fiduciary Activities of the City (the primary government) and its Component Units. For the most part, the effect of Interfund Activity has been removed from these statements. Governmental Activities, normally supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate Component Units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-Wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the Fund financial statements.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

NOTE A - Summary of Significant Accounting Policies (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

The Capital Projects - 2001 Local Street Fund - The 2001 Local Street Fund accounts for the bond proceeds issued for the purpose of making local street improvements within the City.

The City reports the following major Enterprise Funds:

Senior Housing Operations Fund - The Senior Housing Operations Fund accounts for the operations of the City's Senior Housing facility. Monthly maintenance fees charged to residents provide funding.

Municipal Building Authority Senior Housing Fund - The Municipal Building Authority Senior Housing Fund owns the City's Senior Housing facility and is responsible for the payment of bonds used to finance it. Monthly rental fees charged to residents provide funding.

Sewer and Water Fund - The Sewer and Water Fund accounts for the activities of the sewage collection system and the water distribution system. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Police and Fire Retirement System Pension Trust Fund - The Police and Fire Retirement System Trust Fund accounts for the activities of the police and fire employees retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

3. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund, Fiduciary Fund, and Component Units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual— that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property taxes, most federal intergovernmental revenues (i.e., federal grants), most state intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), special assessments, charges for services and interest. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Business-Type Activities.

As a general rule, the effect of Interfund Activity has been eliminated from the Government-Wide financial statements. Exceptions to this general rule are charges between the City's sewer and water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenue of the Proprietary Funds relates to charges to customers for sales and services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest and consist of checking accounts, savings deposits, and certificates of deposit. The carrying value of deposits is displayed on the Balance Sheet as "Cash and Cash Equivalents". Excess cash of the individual funds are invested in a JPMorgan Chase Municipal Funds Trust Account. Each fund records its own share of pooled funds as cash.

Investments

Investments consist of corporate bonds, common stock, and mutual funds. Investments of the Utica Police and Fire Retirement System Trust Funds are managed by Munder Capital Management and are stated at market value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the Governmental Activities and the Business-Type Activities are reported in the Government-Wide financial statements as "internal balances".

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

Taxes Receivable at June 30, 2006 represent delinquent personal property taxes for the years 2001 - 2005. These taxes have been turned over to the county for collection. No provision is made for uncollectible accounts. It is felt that any such provision would be immaterial.

No provision is made for uncollectible Accounts Receivable as any such provision would be immaterial.

No provision is made for uncollectible Sewer and Water Bills Receivable because unpaid bills become a lien on the property and are added to the tax bill.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31, with the final collection date of February 28 of the following year, before they are added to the county tax rolls. The City bills and collects its own property taxes as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Agency Fund.

The 2005 taxable value of property located in the City totaled \$187,223,920 (a portion of which is captured by the Downtown Development Authority) on which taxes levied consisted of 17.1885 mills for general operating purposes, 1.7187 mills for public safety, .8593 mills for the Public Library, and 2.1359 mills for street debt. This resulted in approximately \$3,220,000 for operating, \$322,000 for public safety, \$161,000 for library operations, and \$400,000 for street debt service. These amounts are recognized in the respective General and Component Unit Funds.

The delinquent real property taxes of the City are purchased by the County of Macomb. These taxes have been recorded as revenue for the current year.

Capital Assets

Capital Assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable Governmental or Business-Type Activities column in the Government-Wide financial statements. Capital Assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated Capital Assets are recorded at estimated fair market value at the date of donation.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20-40 years
Sewer and Water Distribution Systems	20-50 years
Buildings and Building Improvements	30-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	7-15 years

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

Deferred Charges

Deferred Charges consist of Bond Discount and Issuance Costs which are being amortized over the term of the bonds and the unbilled portion of signed construction contracts.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is recorded when incurred in the Government-Wide financial statements and the Proprietary Fund financial statements. A liability for these amounts is reported in Governmental Funds only when they have matured or come due for payment— generally when an individual's employment has terminated as of year-end.

Long-Term Obligations

In the Government-Wide financial statements and the Proprietary Fund financial statements, long-term debt obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the Fund financial statements, Governmental Funds report reservations of Fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of Fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Continued)

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Department Heads submit to the Mayor and the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures, and the means of financing them, for the General and Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

- b. Public hearings are conducted to obtain taxpayer comments.
- c. After modifications are made, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
- d. The City's Mayor, or her designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
- e. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
- f. Budget appropriations lapse at year-end.
- g. The original budget was amended during the year in compliance with applicable state laws. A comparison of the budget with Statements of Actual Revenues and Expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplementary information. A comparison of actual results of operations to the non-major Special Revenue Funds budgets, as adopted by the City Council, is available at the City offices for inspection.
- h. Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have any expenditure budget variances.

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE B - Stewardship, Compliance, and Accountability (Continued)

State Construction Code Act

The City oversees building construction, in accordance with the State's Construction Code Act, including inspections of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative balance generated since January 1, 2000 is as follows:

Cumulative Balance - July 1, 2005		\$433,713
Building Permit Revenue	\$158,746	
Interest Earned On Funds	16,744	
Miscellaneous	5	
Related Expenditures - Direct Costs	(187,466)	
Related Expenditures - Estimated Indirect Costs	(18,746)	
Excess of Revenues Over Expenditures		(30,717)
Cumulative Balance - June 30, 2006		<u>\$402,996</u>

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments

The carrying amount of the deposits is separately displayed on the Balance Sheet as "Cash and Cash Equivalents". Deposits are carried at cost.

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. Investments can also be made in bonds, securities, and other obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent (50%) of any one fund, obligations of the State of Michigan or its political subdivisions, which are rated investment grade, mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools organized under the Surplus Funds Investment Pool Act. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Police and Fire Retirement System Pension Trust is also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain State and local government obligations, and certain specified investment vehicles. The Utica Police and Fire Retirement System Trusts Board has authorized Munder Capital Management to manage its funds. All investments are held by the Trust Division using the Federal Reserve Depository Trust Company Book Entry Systems. They are held in a brokerage account at Merrill Lynch, Pierce, Fenner & Smith, Inc. These investments are uninsured and unregistered.

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

The City has approved six banks for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in accordance with Public Act 20 of 1943, as amended. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year-end, the City had \$4,824,871 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year-end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with 270-day maturity. At year-end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
City of Utica Police and Fire Retirement System:		
Corporate Bonds	\$1,122,111	11.29 years
U.S. Government or Agency Bond or Note	\$1,084,346	12.10 years

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Credit Risk - In compliance with State law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government-Wide - Pooled Funds	\$1,498,209	A1	Moody's
City of Utica Police and Fire System:			
Corporate Bonds	\$1,092,965	AAA	S&P
Corporate Bonds	\$29,146	BBB	S&P

Concentration of Credit Risk - Through its investment policy, the City requires investments to be diversified by security and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency denominated investments to 10 percent of total pension system investments. As of June 30, 2006, the pension system had no foreign investments.

The pension system includes exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the Pension Fund are protected from foreign currency risk through the use of ADRs (American Depositary Receipts).

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Restricted cash represents amounts restricted by the Federal or the State law, or the City ordinance to be used for a specific purpose. Restricted amounts are as follows:

General Fund

Police Training	\$ 6,582
Parking District Fees	5,500
Fire and Ambulance Equipment	<u>83,499</u>
Total General Fund	<u>\$95,581</u>

Proprietary Funds

Sewer and Water Fund - Reserve for Bond Debt	\$190,316
Sewer and Water Fund - Improvement and Expansion	44,436
Senior Housing Operations Fund - Security Deposits	24,975
Municipal Building Authority Senior Housing Fund - Reserve for Bond Debt	<u>102,011</u>
Total Proprietary Funds	<u>\$361,738</u>

At year-end, deposits consisted of the following:

	<u>Carrying Amount</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Trust and Agency Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Petty Cash and Cash-On-Hand	\$ 500	\$ -	\$ -	\$ 500	\$ -
Bank Deposits	151,516	368,164	79,717	599,397	42,918
Certificates of Deposit	106,224	-	-	106,224	-
JPMorgan Chase, Comerica, and LaSalle Municipal Investment Trust Deposits	<u>2,752,393</u>	<u>1,553,485</u>	<u>-</u>	<u>4,305,778</u>	<u>583,028</u>
Totals	<u>\$3,010,633</u>	<u>\$1,921,649</u>	<u>\$79,717</u>	<u>\$5,011,899</u>	<u>\$625,946</u>

The bank balances of the primary government deposits is \$4,829,419, of which \$487,576 is covered by federal deposit insurance and the remainder was uninsured and uncollateralized. The City's component units had bank balances of \$583,028 of which \$100,000 is covered by federal deposit insurance the remainder was uninsured and uncollateralized.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE D - Capital Assets

Capital Assets activity of the City's Governmental (and Business-Type) Activities were as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities:				
Capital Assets Not Being Depreciated - Land	\$ 839,900	\$ -	\$ -	\$ 839,900
Capital Assets Being Depreciated:				
Land Improvements	112,449	-	-	112,449
Buildings and Improvements	1,781,286	5,100	-	1,786,386
Infrastructure (Excludes Water Mains and Sewers)	7,679,001	-	-	7,679,001
Furniture and Fixtures	154,618	3,293	8,634	149,277
Machinery and Equipment	<u>2,428,291</u>	<u>108,814</u>	<u>12,613</u>	<u>2,524,492</u>
Sub-Totals	<u>12,155,645</u>	<u>117,207</u>	<u>21,247</u>	<u>12,251,605</u>
Accumulated Depreciation:				
Land Improvements	77,346	3,561	-	80,907
Buildings and Improvements	735,553	44,344	-	779,897
Infrastructure (Excludes Water Mains and Sewers)	1,183,000	267,659	-	1,450,659
Furniture and Fixtures	115,140	11,262	7,361	119,041
Machinery and Equipment	<u>1,362,098</u>	<u>195,560</u>	<u>12,311</u>	<u>1,545,347</u>
Sub-Totals	<u>3,473,137</u>	<u>522,386</u>	<u>19,672</u>	<u>3,975,851</u>
Net Capital Assets Being Depreciated	<u>8,682,508</u>	<u>(405,179)</u>	<u>1,575</u>	<u>8,275,754</u>
Net Capital Assets	<u>\$ 9,522,408</u>	<u>(\$405,179)</u>	<u>\$ 1,575</u>	<u>\$ 9,115,654</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated - Land	\$ 7,095	\$ -	\$ -	\$ 7,095
Capital Assets Being Depreciated:				
Buildings and Improvements	2,659,074	-	-	2,659,074
Water Mains and Sewers	5,924,721	21,678	-	5,946,399
Machinery and Equipment	<u>365,351</u>	<u>53,617</u>	<u>6,301</u>	<u>412,667</u>
Sub-Totals	<u>8,949,146</u>	<u>75,295</u>	<u>6,301</u>	<u>9,018,140</u>
Accumulated Depreciation:				
Buildings and Improvements	642,525	53,142	-	695,667
Water Mains and Sewers	1,815,115	140,094	-	1,955,209
Machinery and Equipment	<u>274,627</u>	<u>21,741</u>	<u>5,966</u>	<u>290,402</u>
Sub-Totals	<u>2,732,267</u>	<u>214,977</u>	<u>5,966</u>	<u>2,941,278</u>
Net Capital Assets Being Depreciated	<u>6,216,879</u>	<u>(139,682)</u>	<u>335</u>	<u>6,076,862</u>
Net Capital Assets	<u>\$6,223,974</u>	<u>(\$139,682)</u>	<u>\$ 335</u>	<u>\$6,083,957</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE D - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 27,227
Public Safety	157,967
Health and Welfare - Ambulance	14,633
Public Works	311,899
Recreation and Culture	<u>10,660</u>
Total Governmental Activities	<u>\$522,386</u>
Business-Type Activities:	
Senior Housing Operations	\$ 89
Municipal Building Authority - Senior Housing	57,870
Sewer and Water	<u>157,018</u>
Total Business-Type Activities	<u>\$214,977</u>

NOTE E - Interfund Receivables, Payables, and Transfers

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Funds</u>	<u>Interfund Payables</u>
General Fund	<u>\$11,804</u>	Current Tax Collection Fund	\$ 9
		Municipal Building Authority Fund	1,295
		Brownfield Redevelopment Fund	<u>10,500</u>
		Total	<u>\$11,804</u>

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Senior Housing Operations Fund	Municipal Building Authority - Senior Housing	<u>\$186,808</u>

Transfers provided funding for capital projects, capital acquisitions, and debt service.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE F - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment and lease purchase agreements are also general obligations of the City. Revenue bonds are payable solely from revenues derived from the activity they were used to finance. Other long-term obligations include compensated absences.

The following is a summary of Long-Term Debt transactions of the City and its Component Units for the year ended June 30, 2006:

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
<u>Governmental Activities:</u>					
Bonds, Contracts, and Notes:					
1996 Unlimited Tax General Obligation Bonds	\$1,750,000	\$ -	\$100,000	\$1,650,000	\$100,000
2001 Unlimited Tax General Obligation Bonds	1,475,000	-	50,000	1,425,000	50,000
2002 Unlimited Tax General Obligation Bonds	1,575,000	-	25,000	1,550,000	50,000
Ford Motor Credit Lease-Purchase Contract (Police Vehicles)	33,902	-	33,902	-	-
Comerica Bank Installment-Purchase Agreement (Fire Truck)	<u>59,768</u>	<u>-</u>	<u>59,768</u>	<u>-</u>	<u>-</u>
Total Bonds, Contracts, and Notes	4,893,670	-	268,670	4,625,000	200,000
Other Long-Term Obligations - Compensated Absences	<u>376,604</u>	<u>58,566</u>	<u>-</u>	<u>435,170</u>	<u>-</u>
Total Governmental Activities	<u>5,270,274</u>	<u>58,566</u>	<u>268,670</u>	<u>5,060,170</u>	<u>200,000</u>
<u>Business-Type Activities:</u>					
Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003	630,000	-	80,000	550,000	80,000
Water Supply and Sewage Disposal System Revenue Bonds, Series 2001	250,000	-	15,000	235,000	20,000
Building Authority Refunding Bonds, Series 2003	<u>2,020,000</u>	<u>-</u>	<u>130,000</u>	<u>1,890,000</u>	<u>130,000</u>
Total Business-Type Activities	<u>2,900,000</u>	<u>-</u>	<u>225,000</u>	<u>2,675,000</u>	<u>230,000</u>
Total Primary Government	<u>\$8,170,274</u>	<u>\$58,566</u>	<u>\$493,670</u>	<u>\$7,735,170</u>	<u>\$430,000</u>
<u>Component Units</u>					
2000 Downtown Development Limited Tax General Obligation	<u>\$825,000</u>	<u>\$ -</u>	<u>\$75,000</u>	<u>\$750,000</u>	<u>\$85,000</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE F - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 200,000	\$ 216,201	\$ 416,201	\$ 230,000	\$ 82,015	\$ 312,015
2008	200,000	207,475	407,475	225,000	75,648	300,648
2009	275,000	196,838	471,838	260,000	68,495	328,495
2010	275,000	184,288	459,288	255,000	60,883	315,883
2011	275,000	171,513	446,513	275,000	52,691	327,691
2012 - 2016	1,900,000	626,134	2,526,134	1,055,000	150,539	1,205,539
2017 - 2021	1,300,000	221,632	1,521,632	375,000	12,943	387,943
2022	200,000	5,000	205,000	-	-	-
	<u>\$4,625,000</u>	<u>\$1,829,081</u>	<u>\$6,454,081</u>	<u>\$2,675,000</u>	<u>\$503,214</u>	<u>\$3,178,214</u>

	Component Units		
	Principal	Interest	Total
2007	\$ 85,000	\$ 36,118	\$121,118
2008	100,000	31,493	131,493
2009	125,000	25,836	150,836
2010	125,000	19,493	144,493
2011	150,000	12,443	162,443
2012	165,000	4,290	169,290
	<u>\$750,000</u>	<u>\$129,673</u>	<u>\$879,673</u>

SIGNIFICANT DETAILS ON LONG-TERM DEBT:

Governmental Activities

1996 General Obligation Bonds -

The City issued \$2,200,000 of General Obligation Unlimited Tax Bonds dated February 1, 1996 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 1996. Principal payments are due annually October 1 commencing October 1, 1996. Interest rates vary from 4.6% to 5.0% depending on the maturity date.

2001 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2001 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2001. Principal payments are due annually October 1 commencing October 1, 2001. Interest rates vary from 4.25% to 5.00% depending on the maturity date.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Governmental Activities (Continued)

2002 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2002 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2002. Principal payments are due annually October 1 commencing October 1, 2004. Interest rates vary from 3.5% to 5.0% depending on the maturity date.

Lease-Purchase Agreement, Ford Motor Credit Company -

Requires three consecutive annual payments of \$35,698 beginning August 15, 2003 for five police vehicles. Upon final payment, the vehicles become the property of the City. Interest imputed under this contract is 5.3%.

Installment-Purchase Agreement, Comerica Bank -

Requires five consecutive annual payments of \$62,468 including interest at 4.4% beginning June 18, 2002 for a fire truck.

Business-Type Activities

Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003 -

The City issued \$730,000 of revenue refunding bonds dated August 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended for the purpose of refunding previous bonds issued for constructing additions, extensions, and improvements to its water supply and sewage disposal system.

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually at 3.25% on April 1 and October 1 commencing on October 1, 2003. Principal payments are due annually on October 1 commencing on October 1, 2003.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Business-Type Activities (Continued)

Water Supply and Sewage Disposal System Revenue Bonds, Series 2001 -

The City issued \$305,000 of bonds dated February 1, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended for the purpose of constructing additions, extensions, and improvements to its water supply and sewage disposal system.

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually on April 1 and October 1 commencing on October 1, 2001. Principal payments are due annually on October 1 commencing on October 1, 2001. Interest rates vary from 4.3% to 5.1% depending on the maturity date.

Building Authority Refunding Bonds, Series 2003 -

The City issued \$2,145,000 of refunding bonds dated July 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended with interest rates ranging from 2.0% to 3.5%. The proceeds of these bonds were used to refund outstanding bonds with interest rates ranging from 4.3% to 5.0% depending on the maturity date.

The bonds are payable from rental payments to be made by the City to the Building Authority pursuant to a refunding contract dated May 13, 2003. The City is required to provide sufficient monies in its annual budget to pay the debt service requirements on the bonds and, if necessary, levy taxes for payment. Any such levies must be subject to applicable charter, statutory, and constitutional tax limitations. It is the City's intention to pay the rentals from monies derived from operation of the Senior Citizen Housing Facilities.

Interest is payable semi-annually on May 1 and November 1 commencing on November 1, 2003. Principal is payable annually on November 1 commencing on November 1, 2004.

Component Units

2000 Downtown Development Bonds -

The City issued \$995,000 of bonds dated August 1, 2000 to finance the cost of improvements within the Downtown Development Area. The bonds are issued in anticipation of the collection of certain tax increment revenue payments from the City of Utica Downtown Development Authority. The bonds are secured pursuant to a limited tax full faith and credit general obligation pledge by the City. Interest is payable semi-annually on April 1 and October 1. Principal payments are due annually October 1 commencing October 1, 2002. The bonds are not subject to redemption prior to maturity. Interest rates vary from 4.875% to 5.200% depending on the maturity date.

(Continued)

NOTE G - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains property and liability insurance coverage with the Michigan Municipal Liability and Property Pool and workers' compensation insurance through the Michigan Municipal League Workers' Compensation Fund. These programs were developed to administer a group program of liability and property self-insurance for Michigan municipalities. Member contributions are combined to provide each member with coverage for claims. Any funds not needed to pay claims and maintain prudent reserves are available for distribution to members, to increase liability limits, or to offer additional services to members as the Pool Board of Directors decide. The pools enter into reinsurance agreements to reduce exposure to large losses on all types of insured events.

The City carries commercial insurance for employee health and accident coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE H - Post Employment Benefits Other Than Pensions

Union and other contracts require the City to pay:

1. One hundred percent (100%) of medical insurance premiums for Department of Public Works (DPW) retirees and their dependents until age 65. The City may provide "GAP" coverage when the retiree is eligible for Medicare.
2. One hundred percent (100%) of medical insurance premiums for Police Department retirees and their spouses, until eligible for Medicare.
3. A City Council Resolution grants single medical insurance coverage for a retired Deputy Clerk, Treasurer, and DPW Superintendent.
4. An employment contract grants single medical insurance coverage for a retired Assistant Fire Chief. The City may provide "GAP" coverage when the retiree is eligible for Medicare.

At June 30, 2006, ten retirees were eligible and receiving benefits. Expenditures for those benefits, for the fiscal year ended June 30, 2006, amounted to \$100,772. The City funds these expenditures as they are incurred and charges current operations in the respective departments.

Upcoming Reporting Change - The Governmental Accounting Standards Board (GASB) has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the Government-Wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009. During the fiscal year ended June 30, 2006, the City contributed \$100,000 to a retiree healthcare trust fund managed by the Municipal Employee Retirement System of Michigan (MERS). This contribution will be applied to the Other Postemployment Benefits (OPEB) obligation that will be determined by an actuarial valuation when the City implements GASB Statement Number 45.

(Continued)

NOTE I - Pension Plans

The City makes contributions to two pension plans that cover substantially all full-time employees.

1. City of Utica Police and Fire Retirement System:

A. Plan Description

The Plan is a single employer public employee defined benefit pension plan that covers police officers and fire chiefs and is established under Public Act 345 of the State of Michigan.

Plan members are required to contribute 5% of compensation. The City is the only non-employee contributor to the Plan and is required to contribute the remaining amounts necessary to fund the Plan using actuarial computations.

As of June 30, 2005, the date of the most recent actuarial valuation, the Plan had 15 current active employee members, 5 retired members receiving benefits, and one vested inactive member.

The Plan provides for vesting of benefits after 10 years. Eligibility for service retirement requires 25 years of service regardless of age or age 60 regardless of service. The Plan provides a straight-life pension equal to 2.5% (2% for post-7/1/97 hires) of 3-year average final compensation (AFC) times the first 25 years of service, plus 1% of AFC times years of service in excess of 25.

The Plan also provides for a deferred retirement after 10 years of service, which begins at the date retirement would have occurred had the member remained in employment and is computed as service retirement but based upon service AFC and benefit multiplier in effect at termination.

The Plan also provides benefits for surviving spouses upon death after retirement, Duty, and Non-Duty death in service and disability.

The Plan does not issue a separate financial report.

B. Contributions Required and Contributions Made

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method.

During the year ended June 30, 2006, contributions to the system totaled \$311,115 (\$253,557 employer and \$57,558 employee) which were in accordance with the contribution requirements determined by the actuarial valuation of the Plan as of June 30, 2005, using the entry age actuarial funding method. Significant actuarial assumptions used include: (a) a 7.5% investment rate of return; (b) projected salary increases of 4.2% - 8.0% per year; and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4%. The actual value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 25 years.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE I - Pension Plans (Continued)

1. City of Utica Police and Fire Retirement System: (Continued)

B. Contributions Required and Contributions Made (Continued)

Three-year trend information is as follows:

	June 30, 2005	June 30, 2004	June 30, 2003
Annual Pension Cost	\$208,766	\$155,035	\$147,866
Percentage of Annual Pension Cost Contributed	114.1%	125.5%	107.1%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$4,674,338	\$4,171,778	\$3,733,458
Actuarial Accrued Liability	\$5,625,864	\$5,525,478	\$4,548,419
Unfunded Actuarial Accrued Liability	\$951,526	\$1,353,700	\$814,961
Funded Ratio	83.1%	75.5%	82.1%
Covered Payroll	\$1,042,233	\$1,134,532	\$1,035,889
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	91.3%	119.3%	78.7%

2. City of Utica Pension Plan

A. Plan Description

All full-time employees other than the Police Officers and the Fire Chiefs are covered by the Municipal Employees Retirement System of Michigan (MERS) Plan which provides retirement and disability benefits and death benefits to Plan members and beneficiaries. The City participates in the MERS, an agent multiple-employer defined benefit plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

B. Contributions Required and Contributions Made

The City is required to contribute at actuarially determined rates; for the year ended June 30, 2006, the rate was 5.39% for Police Dispatchers and 8.99% of annual covered payroll for all other covered City employees. Employees are required to contribute to the Plan at the rate of 5% of covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of Plan members, if any, are established and amended by the City, depending on the MERS contribution program adopted by the City and negotiations with the City's competitive bargaining units.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE I - Pension Plans (Continued)

2. City of Utica Pension Plan (Continued)

B. Contributions Required and Contributions Made (Continued)

For the year ended June 30, 2006, the City's annual pension cost of \$91,392 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-year trend information is as follows:

	December 31, 2005	December 31, 2004	December 31, 2003
Annual Pension Cost	\$84,818	\$77,536	\$70,750
Percentage of Annual Pension Cost Contributed	100.0%	100.0%	100.0%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$2,041,998	\$1,871,656	\$1,505,886
Actuarial Accrued Liability	\$2,932,497	\$2,597,655	\$2,141,094
Unfunded Actuarial Accrued Liability	\$890,499	\$725,999	\$635,208
Funded Ratio	69.6%	72.1%	70.3%
Covered Payroll	\$1,119,427	\$1,050,069	\$1,083,763
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	79.5%	69.1%	58.6%

NOTE J - Contingencies

Federal and State Grants:

Under the terms of certain federal and state grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The City management believes disallowances, if any, would be minimal.

(Continued)

NOTE K - Act 425 Agreement

On June 26, 1996, the City of Utica, Michigan (Utica) entered into a contract for conditional transfer of property pursuant to Public Act 425 of 1984, with the Charter Township of Shelby Township, Michigan (Shelby Township). The term of the contract is from the date of execution through September 30, 2026.

Pursuant to this contract, a parcel of land of approximately 305 acres was transferred from Utica to Shelby Township for the purpose of an economic development project.

Under the terms of the contract, Shelby Township shall have jurisdiction and be solely responsible for providing water and sewer and cable television services to the east half of the property. All other services, including taxation, shall remain the jurisdiction of Utica.

Commencing September 30, 1997, and annually thereafter during the first fifteen years of the contract, Utica shall pay to Shelby Township a sum equal to three mills levied on the taxable value of the real and personal property located in the development area, less any tax adjustments. During the final fifteen years of the contract, Utica shall pay Shelby Township the sum of \$100 annually. The payment for the fiscal year ended June 30, 2006 was \$238,059.

Commencing on September 30, 1997, and annually thereafter up to and including the year 2011, Shelby Township shall pay Utica a sum equal to \$26,103 per year up to a total of \$391,546.

NOTE L - Municipal Building Authority

The Municipal Building Authority of Utica, Michigan, a public corporation, is organized and existing under the Authority of Act 31, Public Acts of Michigan, 1948, as amended, and Ordinance Number 3, of the City of Utica, Michigan.

The Municipal Building Authority has two funds.

The first fund is the Municipal Building Authority Capital Projects Fund. This Fund receives rent payments from the City for leasing of land and buildings. It is the City's intention to continue to use the Building Authority for capital improvements and future expansion. This Fund will be used to pay for these expenditures. Capital improvements paid by this Fund are included in the General Fixed Asset Account Group.

The second fund is the Municipal Building Authority Senior Citizen Housing Fund. This Fund has been set up under Ordinance Number 130 of the City of Utica, Michigan to provide for the acquisition and construction of a housing facility for senior citizens. Under the terms of the Ordinance, the Municipal Building Authority issued Building Authority Revenue Bonds, Series 1992. This Fund receives rent payments under a Revenue Lease Contract with the City in amounts sufficient to satisfy the Authority's debt service requirements.

NOTE M - Component Units

The Component Units columns in the combined financial statements include the financial data of the City's other component units. The City's other component units are the Downtown Development Authority of Utica, Michigan, the Brownfield Redevelopment Authority of Utica, Michigan, and the Utica Public Library. They are reported in a separate column to emphasize that it is legally separated from the City. The governing boards are appointed by the Mayor and the City Council, but once appointed members can only be removed for cause until their terms expire.

Downtown Development Authority

The Downtown Development Authority of Utica, Michigan, a public corporation, was established August 21, 1989 pursuant to the Act 197, Public Acts of Michigan, 1975, and Ordinance Number 24 of the City of Utica, Michigan.

The Downtown Development Authority was established to halt property value deterioration and increase property tax valuation where possible in the business district of the City, to eliminate the cause of that deterioration, and to promote economic growth. These activities are financed from proceeds of a Tax Increment Financing Plan. Pursuant to this Plan, the Downtown Development Authority receives that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value as defined by Act 197. The Downtown Development Authority is required to expend the tax increments received for the development program only pursuant to the Tax Increment Financing Plan. Upon abolishment of the Downtown Development Authority, surplus funds shall revert proportionately to the respective taxing bodies.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority of Utica, Michigan, a public corporation, was established by resolution of the City Council on May 1, 2001, pursuant to the Act 381, Public Acts of Michigan, 1996.

The Brownfield Redevelopment Authority was established to facilitate the implementation of Brownfield plans relating to the designation and treatment of Brownfield Redevelopment zones and to promote the revitalization of environmentally distressed areas. These activities are financed from proceeds of Tax Increment Financing Plans. Pursuant to these Plans, the Brownfield Redevelopment Authority receives that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value as defined by Act 381. The Brownfield Redevelopment Authority is required to expend the tax increments received for the development program only pursuant to the Tax Increment Financing Plans. Upon abolishment of the Brownfield Redevelopment Authority, surplus funds shall revert proportionately to the respective taxing bodies.

Utica Public Library

The City of Utica Public Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of the City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause.

Library operations are funded primarily by a one mil tax levy.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE M - Component Units (Continued)

Capital Asset activity of the City's component units was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Downtown Development Authority:				
Capital Assets Being Depreciated - Infrastructure	\$1,243,881	\$54,166	\$ -	\$1,298,047
Accumulated Depreciation - Infrastructure	<u>133,859</u>	<u>45,894</u>	<u>-</u>	<u>179,753</u>
Net Capital Assets Being Depreciated	<u>\$1,110,022</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$1,118,294</u>
	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Library:				
Capital Assets Not Being Depreciated - Books	<u>\$358,606</u>	<u>\$16,762</u>	<u>\$ -</u>	<u>\$375,368</u>
Capital Assets Being Depreciated - Furniture and Equipment	72,651	-	4,444	68,207
Accumulated Depreciation - Furniture and Equipment	<u>53,462</u>	<u>4,902</u>	<u>4,444</u>	<u>53,920</u>
Net Capital Assets Being Depreciated	<u>19,189</u>	<u>(4,902)</u>	<u>-</u>	<u>14,287</u>
Net Capital Assets	<u>\$377,795</u>	<u>\$11,860</u>	<u>\$ -</u>	<u>\$389,655</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2006

NOTE N - Segment Information for Enterprise Funds

The City maintains three Enterprise Funds, which provide senior housing and sewer and water services. Segment information for the year ended June 30, 2006 was as follows:

	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total Enterprise Funds
Operating Revenues	\$291,217	\$ -	\$1,584,276	\$1,875,493
Depreciation Expense	89	57,870	157,018	214,977
Operating Income (Loss)	148,409	(57,870)	(3,311)	87,228
Non-Operating Revenues (Expenses):				
Interest Income	1,675	2,256	49,133	53,064
Interest Expense	-	(68,121)	(35,351)	(103,472)
Loss on Disposal of Fixed Assets	-	-	(335)	(335)
Operating Transfers:				
In	-	186,808	-	186,808
Out	(186,808)	-	-	(186,808)
Net Income (Loss)	(36,724)	63,073	104,310	130,659
Current Capital Contributions - Tap Fees	-	-	94,174	94,174
Fixed Assets:				
Additions	-	-	75,295	75,295
Deletions	-	-	6,301	6,301
Net Working Capital	12,003	(139,322)	1,655,857	1,528,538
Total Assets	41,820	2,201,139	6,251,001	8,493,960
Bonds and Other Long-Term Liabilities:				
Payable from Operating Revenues and Transfers	-	1,787,989	594,684	2,382,673
Payable from Restricted Assets	24,975	102,011	190,316	317,302
Net Assets	12,279	301,817	5,343,309	5,657,405

The Municipal Building Authority Senior Housing Fund accounts for an apartment building constructed with Revenue Bonds. The Revenue Bonds were refunded by issuing General Obligation Limited Tax Bonds. The refunding bonds are payable from rental payments to be made to the Municipal Building Authority by the City pursuant to a refunding contract. The City of Utica, Michigan, through its Senior Housing Operations Fund, operates and maintains the building. All rents are collected by the Senior Housing Operations Fund along with a maintenance fee. Rents are then transferred to cover Debt Service and Reserve requirements.

(Concluded)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Amended Budget</u>
				<u>Over (Under)</u>
REVENUES:				
Taxes and Penalties	\$3,791,730	\$3,790,040	\$3,712,598	(\$ 77,442)
Property Tax Administration Fee	97,700	97,180	97,182	2
Licenses and Permits	26,800	23,400	18,993	(4,407)
Intergovernmental Revenue:				
Federal	33,900	142,620	141,229	(1,391)
State	467,680	463,400	464,375	975
County	-	1,040	1,041	1
Fines and Costs	231,035	288,480	319,474	30,994
Charges for Services	335,480	384,870	390,756	5,886
Rental Income	19,300	20,200	20,700	500
Cable Royalties	59,130	61,900	62,698	798
Interest on Investments	23,060	75,900	79,155	3,255
Other	412,990	258,960	216,737	(42,223)
Total Revenues	<u>5,498,805</u>	<u>5,607,990</u>	<u>5,524,938</u>	<u>(83,052)</u>
EXPENDITURES:				
General Government:				
Legislative and Executive	43,950	45,250	39,352	(5,898)
Elections	13,341	12,591	8,400	(4,191)
Assessor's Department	28,030	28,030	27,304	(726)
Legal Department	87,540	96,440	95,339	(1,101)
Clerk's Department	218,450	225,140	212,674	(12,466)
Treasurer's Department	167,390	173,740	172,008	(1,732)
Building Improvement and Maintenance	37,940	120,770	53,436	(67,334)
Rubbish Disposal	166,000	171,592	171,591	(1)
425 Agreement	238,100	238,100	238,059	(41)
Other	220,443	311,946	300,274	(11,672)
Total General Government	1,221,184	1,423,599	1,318,437	(105,162)
Public Safety:				
Police Department	2,268,020	2,392,770	2,370,672	(22,098)
Fire Department	418,804	421,520	421,357	(163)
Health and Welfare - Ambulance	144,230	151,240	149,350	(1,890)
Public Works	542,925	483,399	462,300	(21,099)
Recreation and Cultural	174,668	179,488	176,966	(2,522)
Capital Outlay	92,965	92,965	92,965	-
Debt Service:				
Principal Retirement	268,742	268,742	268,640	(102)
Interest and Debt Service Fees	229,628	229,628	229,596	(32)
Total Expenditures	<u>5,361,166</u>	<u>5,643,351</u>	<u>5,490,283</u>	<u>(153,068)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES -				
Net Change In Fund Balances	137,639	(35,361)	34,655	70,016
FUND BALANCE, JULY 1, 2005	<u>1,242,640</u>	<u>1,242,640</u>	<u>1,242,640</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$1,380,279</u>	<u>\$1,207,279</u>	<u>\$1,277,295</u>	<u>\$ 70,016</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Major Street Fund				Local Street Fund			
	Budget Amounts		Actual	Variance With Amended Budget Over (Under)	Budget Amounts		Actual	Variance With Amended Budget Over (Under)
	Original	Amended			Original	Amended		
REVENUES:								
Intergovernmental Revenue - State	\$174,720	\$174,720	\$178,384	\$ 3,664	\$ 73,690	\$ 73,690	\$ 75,455	\$ 1,765
Interest on Investments	8,500	8,500	30,363	21,863				
Other	-	-	42	42	2,500	2,500	8,984	6,484
Total Revenues	183,220	183,220	208,789	25,569	76,190	76,190	84,439	8,249
EXPENDITURES - Public Works	<u>136,300</u>	<u>136,300</u>	<u>80,481</u>	(55,819)	<u>84,000</u>	<u>84,000</u>	<u>37,455</u>	(46,545)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -								
Net Change In Fund Balances	46,920	46,920	128,308	81,388	(7,810)	(7,810)	46,984	54,794
FUND BALANCE, JULY 1, 2005	<u>772,173</u>	<u>772,173</u>	<u>772,173</u>	-	<u>231,927</u>	<u>231,927</u>	<u>231,927</u>	-
FUND BALANCE, JUNE 30, 2006	<u>\$819,093</u>	<u>\$819,093</u>	<u>\$900,481</u>	<u>\$81,388</u>	<u>\$224,117</u>	<u>\$224,117</u>	<u>\$278,911</u>	<u>\$54,794</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - POLICE AND FIRE RETIREMENT SYSTEM
JUNE 30, 2006

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/1999	3,596,360	2,664,030	(932,330)	135.0%	638,953	(145.9%)
6/30/2000*	4,126,571	2,252,431	(1,874,140)	183.2%	754,290	(248.5%)
6/30/2001**	4,279,196	3,857,044	(422,152)	110.9%	967,153	(43.6%)
6/30/2002***	3,964,108	4,271,356	307,248	92.8%	952,915	32.2%
6/30/2003	3,733,458	4,548,419	814,961	82.1%	1,035,889	78.7%
6/30/2004	4,171,778	5,525,478	1,353,700	75.5%	1,134,532	119.3%
6/30/2005	4,674,338	5,625,864	951,526	83.1%	1,042,233	91.3%

* Retirement System Amended

** Based on Actual Salary and Revised Projections of Average Final Compensation

*** Revised Actuarial Assumptions

The Schedule of Employer Contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
6/30/2001	49,158	159.8%
6/30/2002	9,565	157.0%
6/30/2003	147,866	107.1%
6/30/2004	155,493	125.5%
6/30/2005	208,766	114.1%
6/30/2006	260,643	97.3%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2005, the latest actuarial valuation, follows:

Valuation Date	June 30, 2005
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	4-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases*	4.2% - 8.0%
*Includes Inflation at	4.0%
Cost of Living Adjustments	None

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - CITY OF UTICA PENSION PLAN
JUNE 30, 2006

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/1999	27,667	20,521	(7,146)	134.8%	178,627	(4.0%)
12/31/2000*	929,787	1,440,923	511,136	64.5%	839,276	60.9%
12/31/2001	1,080,070	1,570,386	490,316	68.8%	881,263	55.6%
12/31/2002	1,288,995	1,773,407	484,412	72.7%	914,423	53.0%
12/31/2003**	1,505,886	2,141,094	635,208	70.3%	1,083,763	58.6%
12/31/2004	1,871,656	2,597,655	725,999	72.1%	1,050,069	69.1%
12/31/2005	2,041,998	2,932,497	890,499	69.6%	1,119,427	79.5%

* Retirement System Amended, Actuarial Assumptions Revised

** One-Time Adjustment Made to Method of Calculating Actuarial Value of Assets

The Schedule of Employer Contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
12/31/2000	47,777	100.0%
12/31/2001	25,033	100.0%
12/31/2002	91,869	100.0%
12/31/2003	70,750	100.0%
12/31/2004	77,536	100.0%
12/31/2005	84,818	100.0%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation, follows:

Valuation Date	December 31, 2005
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.50% - 8.66%
*Includes Inflation at	4.5%
Cost of Living Adjustments	None

See Independent Auditor's Report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	<u>Liquor Law Enforcement</u>	<u>Building Code Enforcement</u>	<u>Drug Law Enforcement</u>	<u>Municipal Building Authority</u>	<u>2001 Street</u>	
ASSETS:						
Cash	\$20,291	\$407,086	\$19,545	\$62,777	\$112,995	\$622,694
Receivables - Accounts	-	-	-	-	280	280
Total Assets	<u>\$20,291</u>	<u>\$407,086</u>	<u>\$19,545</u>	<u>\$62,777</u>	<u>\$113,275</u>	<u>\$622,974</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 55	\$ 4,090	\$ 55	\$ 1,868	\$ -	\$ 6,068
Due to Other Funds	-	-	-	1,295	-	1,295
Total Liabilities	55	4,090	55	3,163	-	7,363
Fund Balances - Unreserved	<u>20,236</u>	<u>402,996</u>	<u>19,490</u>	<u>59,614</u>	<u>113,275</u>	<u>615,611</u>
Total Liabilities and Fund Balances	<u>\$20,291</u>	<u>\$407,086</u>	<u>\$19,545</u>	<u>\$62,777</u>	<u>\$113,275</u>	<u>\$622,974</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	<u>Liquor Law Enforcement</u>	<u>Building Code Enforcement</u>	<u>Drug Law Enforcement</u>	<u>Municipal Building Authority</u>	<u>2001 Street</u>	
REVENUES:						
Licenses and Permits	\$ 8,820	\$158,746	\$ -	\$ -	\$ -	\$167,566
Drug Forfeitures	-	-	3,237	-	-	3,237
Rental Income	-	-	-	27,695	-	27,695
Interest on Investments	1,249	16,744	919	6,161	3,362	28,435
Other	-	5	-	-	-	5
	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total Revenues	<u>10,069</u>	<u>175,495</u>	<u>4,156</u>	<u>33,856</u>	<u>3,362</u>	<u>226,938</u>
EXPENDITURES:						
Current:						
Liquor Law Enforcement	2,421	-	-	-	-	2,421
Building Code Enforcement	-	205,045	-	-	-	205,045
Drug Law Enforcement	-	-	3,610	-	-	3,610
Building Repairs and Maintenance	-	-	-	133,432	-	133,432
Capital Outlay	<u>16,150</u>	<u>1,167</u>	<u>6,925</u>	<u>-</u>	<u>-</u>	<u>24,242</u>
Total Expenditures	<u>18,571</u>	<u>206,212</u>	<u>10,535</u>	<u>133,432</u>	<u>-</u>	<u>368,750</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -						
Net Change In Fund Balances	(8,502)	(30,717)	(6,379)	(99,576)	3,362	(141,812)
FUND BALANCES, JULY 1, 2005	<u>28,738</u>	<u>433,713</u>	<u>25,869</u>	<u>159,190</u>	<u>109,913</u>	<u>757,423</u>
FUND BALANCES, JUNE 30, 2006	<u>\$20,236</u>	<u>\$402,996</u>	<u>\$19,490</u>	<u>\$ 59,614</u>	<u>\$113,275</u>	<u>\$615,611</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>Annual Interest Payable</u>
1996 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/1996, TOTAL					
ISSUED - \$2,200,000					
	4.60%	10/01/2006	\$ 100,000	\$ -	\$ 78,500
	4.60%	10/01/2007	100,000	100,000	73,900
	4.70%	10/01/2008	150,000	150,000	68,075
	4.80%	10/01/2009	150,000	150,000	60,950
	4.90%	10/01/2010	150,000	150,000	53,675
	5.00%	10/01/2011	175,000	175,000	45,625
	5.00%	10/01/2012	175,000	175,000	36,875
	5.00%	10/01/2013	200,000	200,000	27,500
	5.00%	10/01/2014	-	-	22,500
	5.00%	10/01/2015	<u>450,000</u>	<u>450,000</u>	<u>11,250</u>
Total 1996 General Obligation					
Unlimited Tax Bonds Payable			<u>1,650,000</u>	<u>1,550,000</u>	<u>478,850</u>
2001 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2001, TOTAL					
ISSUED - \$1,600,000					
	4.25%	10/01/2006	50,000	-	65,688
	4.50%	10/01/2007	50,000	50,000	63,500
	4.50%	10/01/2008	75,000	75,000	60,688
	4.50%	10/01/2009	75,000	75,000	57,312
	4.50%	10/01/2010	75,000	75,000	53,938
	4.35%	10/01/2011	75,000	75,000	50,619
	4.40%	10/01/2012	100,000	100,000	46,788
	4.50%	10/01/2013	100,000	100,000	42,337
	4.65%	10/01/2014	100,000	100,000	37,763
	4.75%	10/01/2015	100,000	100,000	33,062
	4.80%	10/01/2016	125,000	125,000	27,687
	4.85%	10/01/2017	125,000	125,000	21,656
	4.90%	10/01/2018	125,000	125,000	15,562
	5.00%	10/01/2019	125,000	125,000	9,375
	5.00%	10/01/2020	<u>125,000</u>	<u>125,000</u>	<u>3,125</u>
Total 2001 General Obligation					
Unlimited Tax Bonds Payable			<u>1,425,000</u>	<u>1,375,000</u>	<u>589,100</u>

See Independent Auditor's Report.

(Continued)

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>Annual Interest Payable</u>
2002 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2002, TOTAL					
ISSUED - \$1,600,000					
	3.75%	10/01/2006	50,000	-	72,013
	4.00%	10/01/2007	50,000	50,000	70,075
	4.00%	10/01/2008	50,000	50,000	68,075
	4.20%	10/01/2009	50,000	50,000	66,025
	4.30%	10/01/2010	50,000	50,000	63,900
	4.40%	10/01/2011	50,000	50,000	61,725
	4.50%	10/01/2012	75,000	75,000	58,937
	4.55%	10/01/2013	100,000	100,000	54,975
	4.60%	10/01/2014	100,000	100,000	50,400
	4.65%	10/01/2015	100,000	100,000	45,775
	4.70%	10/01/2016	100,000	100,000	41,100
	5.00%	10/01/2017	125,000	125,000	35,625
	5.00%	10/01/2018	125,000	125,000	29,375
	5.00%	10/01/2019	125,000	125,000	23,125
	5.00%	10/01/2020	200,000	200,000	15,000
	5.00%	10/01/2021	<u>200,000</u>	<u>200,000</u>	<u>5,000</u>
Total 2002 General Obligation Unlimited Tax Bonds Payable			<u>1,550,000</u>	<u>1,500,000</u>	<u>761,125</u>
Total General Obligation Unlimited Tax Bonds Payable			<u>4,625,000</u>	<u>4,425,000</u>	<u>1,829,075</u>

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>Annual Interest Payable</u>
BUILDING AUTHORITY LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2003, DATED 7/1/2003, TOTAL ISSUED - \$2,145,000					
	2.00%	11/01/2006	130,000	-	54,635
	2.50%	11/01/2007	125,000	125,000	51,773
	2.50%	11/01/2008	140,000	140,000	48,460
	2.50%	11/01/2009	135,000	135,000	45,023
	3.00%	11/01/2010	160,000	160,000	40,935
	3.00%	11/01/2011	155,000	155,000	36,210
	3.00%	11/01/2012	155,000	155,000	31,560
	3.00%	11/01/2013	175,000	175,000	26,610
	3.20%	11/01/2014	170,000	170,000	21,265
	3.30%	11/01/2015	170,000	170,000	15,740
	3.40%	11/01/2016	190,000	190,000	9,705
	3.50%	11/01/2017	<u>185,000</u>	<u>185,000</u>	<u>3,238</u>
Total Building Authority Refunding Bonds, Series 2003, Payable			<u>1,890,000</u>	<u>1,760,000</u>	<u>385,154</u>
2000 DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS, DATED 8/1/2000, TOTAL ISSUED - \$995,000					
	5.00%	10/01/2006	85,000	-	36,118
	5.00%	10/01/2007	100,000	100,000	31,492
	5.05%	10/01/2008	125,000	125,000	25,836
	5.10%	10/01/2009	125,000	125,000	19,493
	5.15%	10/01/2010	150,000	150,000	12,442
	5.20%	10/01/2011	<u>165,000</u>	<u>165,000</u>	<u>4,290</u>
Total 2000 Downtown Development Bonds Payable			<u>750,000</u>	<u>665,000</u>	<u>129,671</u>
Total General Obligation Limited Tax Bonds Payable			<u>2,640,000</u>	<u>2,425,000</u>	<u>514,825</u>

(Continued)

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>Annual Interest Payable</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2003, DATED 8/1/2003, TOTAL ISSUED - \$730,000					
	3.25%	10/01/2006	80,000	-	16,575
	3.25%	10/01/2007	80,000	80,000	13,975
	3.25%	10/01/2008	100,000	100,000	11,050
	3.25%	10/01/2009	100,000	100,000	7,800
	3.25%	10/01/2010	95,000	95,000	4,631
	3.25%	10/01/2011	<u>95,000</u>	<u>95,000</u>	<u>1,544</u>
Total Series 2003 Revenue Bonds Payable			<u>550,000</u>	<u>470,000</u>	<u>55,575</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2001, DATED 2/1/2001, TOTAL ISSUED - \$305,000					
	4.50%	10/01/2006	20,000	-	10,805
	4.55%	10/01/2007	20,000	20,000	9,900
	4.60%	10/01/2008	20,000	20,000	8,985
	4.65%	10/01/2009	20,000	20,000	8,060
	4.70%	10/01/2010	20,000	20,000	7,125
	4.75%	10/01/2011	25,000	25,000	6,061
	4.85%	10/01/2012	25,000	25,000	4,861
	4.90%	10/01/2013	25,000	25,000	3,643
	5.00%	10/01/2014	30,000	30,000	2,280
	5.10%	10/01/2015	<u>30,000</u>	<u>30,000</u>	<u>765</u>
Total Series 2001 Revenue Bonds Payable			<u>235,000</u>	<u>215,000</u>	<u>62,485</u>
Total Water and Sewage Disposal System Revenue Bonds Payable			<u>785,000</u>	<u>685,000</u>	<u>118,060</u>
Total Bonds Payable			<u>\$8,050,000</u>	<u>\$7,535,000</u>	<u>\$2,461,960</u>